

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Marlborough Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 26, 2019

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule is effective in FY20 (since the amount under the prior schedule was maintained in FY20) and is acceptable under Chapter 32.

The Board maintained a 7.5% investment return assumption in this valuation. Although this is acceptable, this assumption is on the higher end of what we consider a reasonable investment return assumption. We are generally recommending an assumption of 7.25% for 2019 valuations. For comparison, 31 systems are using a 7.5% assumption and 56 systems are using an assumption of below 7.5%.

We note that the system used a 5-year smoothing methodology in this valuation. The prior 3 valuations used the market value of assets. The actuarial value of assets (AVA) is \$13.6 million greater than the market value as of January 1, 2019 and the funded ratio is only 69.2% on a market value basis (compared to 75.0% on an AVA basis). Keep in mind that this deferred loss will be recognized over the next two valuations.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability	Funded Ratio %**
2020	\$3,194,316	\$1,196,576	\$7,571,708	\$8,768,284	24.4	\$58,407,071	75.0
2021	\$3,371,762	\$1,215,479	\$7,972,034	\$9,187,513	24.5	\$54,940,199	77.1
2022	\$3,558,709	\$1,233,660	\$8,290,915	\$9,524,575	24.3	\$50,795,133	79.5
2023	\$3,755,654	\$1,251,017	\$8,622,552	\$9,873,569	24.1	\$46,008,564	82.0
2024	\$3,963,118	\$1,267,437	\$8,967,454	\$10,234,891	23.9	\$40,519,155	84.7
2025	\$4,181,648	\$1,282,802	\$9,326,152	\$10,608,954	23.7	\$34,260,437	87.4
2026	\$4,411,821	\$1,296,983	\$9,699,198	\$10,996,181	23.5	\$27,160,410	90.4
2027	\$4,654,241	\$1,309,843	\$10,087,166	\$11,397,009	23.3	\$19,141,098	93.4
2028	\$4,909,545	\$1,321,234	\$10,490,653	\$11,811,887	23.1	\$10,118,084	96.6
2029	\$5,178,402	\$1,330,998	\$0	\$1,330,998	2.5	(\$0)	100.0
2030	\$5,461,514	\$1,338,964	\$0	\$1,338,964	2.4	(\$0)	100.0
2031	\$5,759,620	\$1,344,953	\$0	\$1,344,953	2.3	(\$0)	100.0
2032	\$6,073,496	\$1,348,769	\$0	\$1,348,769	2.2	(\$0)	100.0
2033	\$6,403,957	\$1,350,205	\$0	\$1,350,205	2.1	(\$0)	100.0
2034	\$6,751,861	\$1,349,039	\$0	\$1,349,039	2.0	(\$0)	100.0
2035	\$7,118,108	\$1,345,034	\$0	\$1,345,034	1.9	(\$0)	100.0
2036	\$7,503,645	\$1,337,937	\$0	\$1,337,937	1.8	(\$0)	100.0
2037	\$7,909,467	\$1,327,477	\$0	\$1,327,477	1.7	(\$0)	100.0
2038	\$8,336,617	\$1,313,367	\$0	\$1,313,367	1.7	(\$0)	100.0
2039	\$8,711,765	\$1,372,468	\$0	\$1,372,468	1.7	(\$0)	100.0
2040	\$9,103,794	\$1,434,229	\$0	\$1,434,229	1.7	(\$0)	100.0
2041	\$9,513,465	\$1,498,769	\$0	\$1,498,769	1.7	(\$0)	100.0
2042	\$9,941,571	\$1,566,214	\$0	\$1,566,214	1.7	(\$0)	100.0
2043	\$10,388,942	\$1,636,694	\$0	\$1,636,694	1.7	(\$0)	100.0
2044	\$10,856,444	\$1,710,345	\$0	\$1,710,345	1.7	(\$0)	100.0
2045	\$11,344,984	\$1,787,310	\$0	\$1,787,310	1.7	(\$0)	100.0
2046	\$11,855,508	\$1,867,739	\$0	\$1,867,739	1.7	(\$0)	100.0
2047	\$12,389,006	\$1,951,788	\$0	\$1,951,788	1.7	(\$0)	100.0
2048	\$12,946,511	\$2,039,618	\$0	\$2,039,618	1.7	(\$0)	100.0
2049	\$13,529,104	\$2,131,401	\$0	\$2,131,401	1.7	(\$0)	100.0
2050	\$14,137,914	\$2,227,314	\$0	\$2,227,314	1.7	(\$0)	100.0
2051	\$14,774,120	\$2,327,543	\$0	\$2,327,543	1.7	(\$0)	100.0

** Beginning of Fiscal Year